



Honduran-U.S. Relations

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Summary

On January 27, 2010, Porfirio “Pepe” Lobo Sosa was inaugurated President of Honduras. Lobo assumed power after seven months of domestic political crisis and international isolation that had resulted from the June 28, 2009, ouster of President Manuel Zelaya. While the strength of Lobo’s National Party in the legislature should help the government secure approval of its policy agenda, the political crisis left the new President with daunting challenges. The Lobo government faces significant challenges in fostering economic development in one of the hemisphere’s poorest countries; securing international recognition; and addressing the high level of domestic political polarization, ongoing human rights abuses, and the deteriorating citizen security situation.

The global financial crisis and domestic political crisis took a toll on the Honduran economy as significant declines in export earnings, remittances, and tourism led to a contraction of 2.1% in 2009. Although the economy has picked up in 2010, with expected growth of 2.7%, significant challenges remain. 60% of Honduras’ nearly 8 million citizens live under the poverty line and the country performs poorly on a number of social indicators. The government has little room to address these issues as the country’s fiscal balance has deteriorated in recent years despite benefiting from several debt relief initiatives over the past decade. The international financial institutions, which cut ties to Honduras in 2009, have normalized relations with the Lobo Administration and are providing the country with access to much needed multilateral development financing that should ensure short-term macroeconomic stability. Implementing the economic reforms necessary to improve the country’s long-term fiscal balance will be politically difficult, however, as business groups have opposed revenue enhancing tax reforms and labor unions are pushing for wage increases and against potential cuts to public sector spending.

Although relations were strained during the political crisis, the United States has traditionally had a close relationship with Honduras. Broad U.S. policy goals include a strengthened democracy with an effective justice system that protects human rights and promotes the rule of law, and the promotion of sustainable economic growth with a more open economy and improved living conditions. In addition to providing Honduras with substantial amounts of foreign assistance and maintaining significant military and economic ties, the United States cooperates with Honduras to deal with transnational issues such as illegal migration, crime, narcotics trafficking, trafficking in persons, and port security.

With respect to the political crisis, several resolutions were introduced during the first session of the 111th Congress. These ranged from condemning Zelaya for his “unconstitutional and illegal” actions (H.Res. 619, Mack) to condemning the “coup d’état” in Honduras (H.Res. 630, Delahunt) and calling upon the Micheletti government to end its “illegal seizure of power” (H.Res. 620, Serrano). Another resolution (H.Res. 749, Ros-Lehtinen) called on the Obama Administration to recognize the November 2009 elections “as an important step in the consolidation of democracy and rule of law in Honduras.” In the second session, H.Res. 1197 (Rohrabacher) would express support for democracy in Honduras and call on nations to restore normal relations with the government of Honduras.

This report examines current political and economic conditions in Honduras as well as issues in Honduran-U.S. relations. For a more detailed examination of the Honduran political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

Contents

Recent Developments.....	1
Political Situation.....	2
Background	2
Political Crisis.....	3
Detention and Expulsion of Zelaya.....	3
Micheletti Government	4
November 2009 Elections	5
Results	5
Legitimacy.....	6
Challenges for the Lobo Administration	7
International Recognition.....	7
Political Reconciliation	8
Human Rights	9
Economic and Social Conditions	11
Issues in U.S.-Honduran Relations	13
U.S. Foreign Assistance	14
Military Cooperation.....	16
Economic Linkages.....	16
Migration Issues.....	17
Temporary Protected Status.....	17
Deportations	18
Crime, Violence, and Drug Trafficking.....	19
Human Trafficking.....	21
Port Security	21

Figures

Figure 1. Map of Honduras	2
Figure 2. Party Affiliation in the Unicameral Honduran National Congress.....	5

Tables

Table 1. U.S. Bilateral Assistance to Honduras, FY2007-FY2011	15
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Contacts

Author Contact Information	22
Acknowledgments	22

Recent Developments

On November 18, 2010, the International Criminal Court announced it had opened a preliminary investigation into the events surrounding the June 2009 ouster of President Manuel Zelaya.

On November 14, 2010, the Honduran National Congress approved a legislative decree to freeze the price of basic foodstuffs for 90 days in response to sharp increases in prices stemming from local shortages.

On November 10, 2010, the Inter-American Development Bank (IDB) approved a \$45.8 million loan for Honduras to promote the stability and strengthening of the Honduran financial system and expand access to financial services.

On November 9, 2010, the World Bank approved a \$74.7 million loan to Honduras to address its short-term fiscal situation and initiate reforms intended to improve the country's long-term fiscal balance.

On October 20, 2010, the Honduran Office of the National Human Rights Ombudsman (Conadeh) released a report estimating the homicide rate for 2010 to be 78.8 per 100,000 residents, a sharp increase from UN estimates of 67 per 100,000 in 2008/2009 (See "Crime, Violence, and Drug Trafficking").

On October 19, 2010, 30 members of the U.S. Congress sent a letter to Secretary of State Clinton expressing dismay over the human rights situation in Honduras and calling on the Obama Administration to withhold security assistance and support for reintegration into the Organization of American States (OAS) until Honduras makes sustained progress in improving its human rights record (see "Human Rights" for more information on the human rights situation).

On October 14, 2010, the Honduran National Statistics Institute (INE) published the results of its latest household census, which found that 60% of Hondurans live below the poverty line.

On October 12, 2010, the Honduran National Congress announced the creation of a cross-party commission to study potential changes to the constitutional provision that regulates plebiscites and referendums.

On October 1, 2010, the International Monetary Fund (IMF) approved \$202 million in financial support to Honduras to restore macroeconomic stability and advance economic reforms consistent with the country's poverty reduction and growth objectives.

On September 17, 2010, Honduras completed its five-year, \$205 million economic growth compact with the Millennium Challenge Corporation (MCC).

Figure 1. Map of Honduras



Source: Map Resources. Adapted by CRS Graphics.

Political Situation

Background

A Central American nation of nearly eight million people, Honduras had enjoyed 27 years of democratic, constitutional governance prior to the forced removal of President Manuel Zelaya from office in June 2009. The Liberal (PL) and National (PN) parties have been Honduras' two dominant political parties since the military relinquished political control in 1982. Both have generally been considered to be ideologically center-right, and there have been few major differences between the two.

Manuel Zelaya of the PL was elected president in November 2005, narrowly defeating his PN rival, Porfirio Lobo. Zelaya—a wealthy landowner with considerable investments in the timber and cattle industries—was generally regarded as a moderate when he was inaugurated to a four-

year term in January 2006.¹ As his term progressed, however, Zelaya advanced a number of populist policies, including free school enrollment, an increase in teachers' pay, and a 60% increase in the minimum wage.² Zelaya also forged closer relations with Venezuelan President Hugo Chávez, joining initiatives such as PetroCaribe, which provides oil at preferential discounted rates, and the Bolivarian Alternative for the Americas (ALBA), a socially oriented trade block.³ Although Zelaya's populist policies allowed him to maintain considerable support among certain sectors of Honduran society, they alienated many within the traditional economic and political elite. Likewise, his Administration's inability to achieve concrete results on a number of issues of importance—such as poverty and violent crime—significantly weakened his public standing.⁴

Political Crisis⁵

Detention and Expulsion of Zelaya

On June 28, 2009, the Honduran military detained President Zelaya and flew him to forced exile in Costa Rica. The ouster followed several months of political polarization between Honduran governmental institutions resulting from Zelaya's intention to hold a non-binding referendum and eventually amend the constitution. After the military deposed the President, the Honduran Supreme Court⁶ asserted that an arrest warrant had been issued for Zelaya as a result of his noncompliance with judicial decisions that had declared the non-binding referendum unconstitutional. However, the military's actions halted the judicial process before a trial could be held.⁷ The Honduran National Congress then adopted a resolution to replace Zelaya with the PL President of Congress, Roberto Micheletti.⁸

The United States and the rest of the international community universally condemned Zelaya's ouster and called for his return. They leveled a series of diplomatic and economic sanctions against the Micheletti government and pushed for a negotiated agreement to end the crisis. Although Zelaya clandestinely returned to Honduras in September 2009, he was never restored to

¹ "People Profile: Manuel 'Mel' Zelaya," *Latin News Daily*, November 15, 2005; "Manuel Zelaya: empresario conservador que transitó a la izquierda," *Agencia Mexicana de Noticias*, June 29, 2009.

² The minimum wage decree—which did not affect the maquila sector's monthly minimum wage that fluctuates between 6,000 and 7,000 Lempiras (\$318-\$370)—increased the rural monthly minimum wage to 4,055 Lempiras (\$215) and the urban monthly minimum wage to 5,500 Lempiras (\$291). Calculations are based on an exchange rate of \$1 U.S. dollar to 18.9 Honduran lempiras. "Elevan a L.5,500 el salario mínimo en Honduras," *El Heraldo* (Honduras), December 24, 2008.

³ It should be noted that the National Congress ratified Honduras' entrance into both PetroCaribe and ALBA. "Honduras: Congress signs up to Petrocaribe" *Latin American Caribbean & Central America Report*, March 2008; "Honduras: Congress approves Alba, with caveats," *Latin American Caribbean & Central America Report*, October 2008.

⁴ Mica Rosenberg, "Protests erupt, gunshots heard after Honduras coup," *Reuters*, June 28, 2009.

⁵ For a more detailed examination of the Honduran political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

⁶ The U.S. Department of State's 2009 Country Reports on Human Rights Practices states that "although the constitution and the law provide for an independent judiciary," the Honduran judicial system has been "subject to patronage, corruption, and political influence."

⁷ Poder Judicial de Honduras, "Expediente Judicial Relación Documentada Caso Zelaya Rosales," available at <http://www.poderjudicial.gob.hn/>.

⁸ "El decreto de la separación de Zelaya," *El Heraldo* (Honduras), June 28, 2009.

office and was forced to remain in the Brazilian embassy—where he had taken refuge—until January 27, 2010, when newly inaugurated President Porfirio Lobo granted him safe passage to the Dominican Republic.⁹

Micheletti Government

Micheletti insisted that he took office through a “constitutional succession” throughout the seven months between Zelaya’s forced removal and the inauguration of President Lobo.¹⁰ While in power, Micheletti and the Honduran National Congress passed a 2009 budget and annulled more than a dozen decrees and reforms approved under Zelaya, including Honduras’ accession to ALBA.¹¹ Prior to adjourning in mid-January 2010, the Honduran National Congress named Micheletti a “deputy-for-life,” and offered life-long security to Micheletti and some 50 other Honduran officials involved in his government or the ouster of Zelaya.¹² Although Micheletti received substantial support from some sectors of Honduran society, an October 2009 poll found that just 36% of Hondurans approved of Micheletti’s job in office and 59% believed he rarely or never did what was in the interest of the Honduran people. The same poll found that 42% of Hondurans recognized Zelaya as president, while 36% recognized Micheletti.¹³

During his government, Micheletti maintained tight control of Honduran society, severely restricting political opposition. On the day of the ouster, security forces patrolled the streets; a curfew was put in place and a number of local and international television and radio stations were shut down or intimidated.¹⁴ Over the next several months, the Micheletti government periodically implemented curfews—often arbitrarily and with little or no prior notification—and issued decrees restricting civil liberties.¹⁵ The Inter-American Commission on Human Rights (IACHR), an autonomous body of the Organization of American States (OAS), asserts that during the Micheletti government, serious violations of human rights occurred, including “deaths, an arbitrary declaration of a state of emergency, suppression of public demonstrations through disproportionate use of force, criminalization of public protest, arbitrary detentions of thousands of persons, cruel, inhuman and degrading treatment and grossly inadequate conditions of detention, militarization of Honduran territory, a surge in incidents of racial discrimination, violations of women’s rights, serious and arbitrary restrictions on the right to freedom of expression, and grave violations of political rights.”¹⁶

⁹ “Zelaya deja Honduras tras 4 meses en la Embajada de Brasil,” *EFE News Service*, January 27, 2010.

¹⁰ Roberto Micheletti, “Moving Forward in Honduras,” *Washington Post*, September 22, 2009.

¹¹ “Honduras: Micheletti prepares to leave on high note,” *Latin American Weekly Report*, January 21, 2010.

¹² “Congreso de Honduras designa a Micheletti ‘diputado vitalicio,’” *Agence France Presse*, January 13, 2010; “Más de 50 funcionarios gozarán de seguridad vitalicia,” *El Tiempo* (Honduras), January 15, 2010.

¹³ “Hondureños ven solución en presidente alternativo y elecciones, según sondeo,” *EFE News Service*, October 27, 2009; “Honduras: 42% reconoce a Zelaya como presidente, 36% a Micheletti (encuesta),” *Agence France Presse*, October 28, 2009.

¹⁴ “Honduras: Decretan toque de queda por 48 horas,” *La Prensa* (Honduras), June 28, 2009; “Honduras: Media Blackout, Protests Reported,” *Stratfor*, June 29, 2009.

¹⁵ “Honduras suspende derechos constitucionales durante toque queda,” *Reuters*, July 1, 2009; Amnesty International, “Honduras: human rights crisis threatens as repression increases,” August 2009.

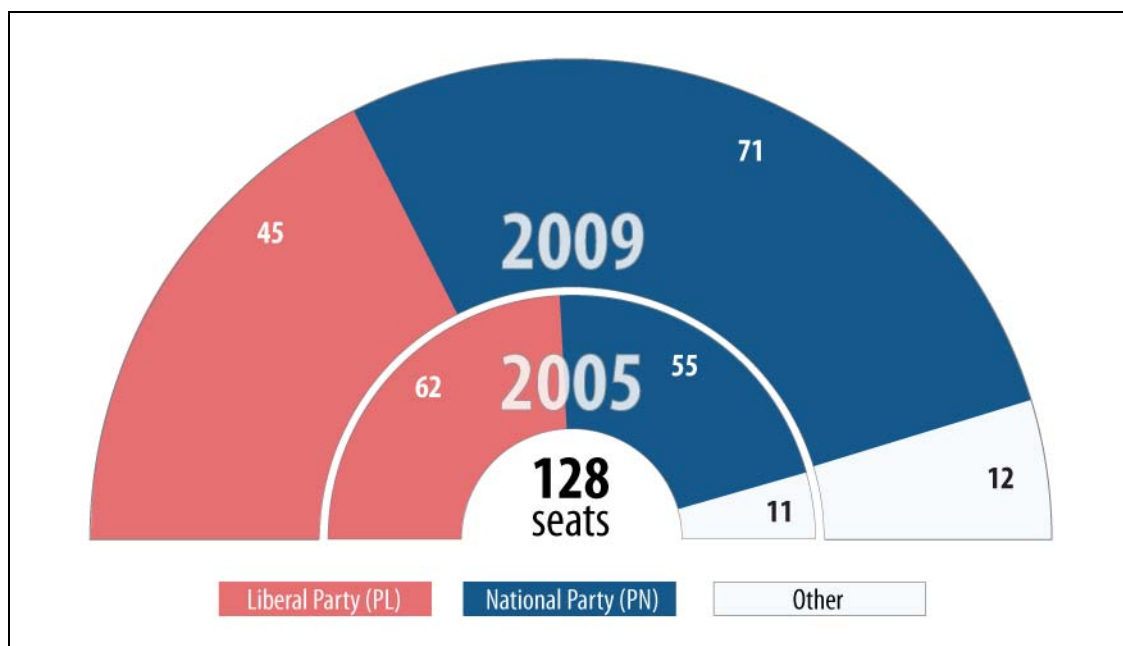
¹⁶ Inter-American Commission on Human Rights, *Honduras: Human Rights and the Coup D’état*, Organization of American States, OEA/Ser.L/V/II. Doc. 55, December 30, 2009.

November 2009 Elections

Results

On November 29, 2009, Honduras held general elections to fill nearly 3,000 posts nationwide, including the presidency and all 128 seats in the unicameral National Congress.¹⁷ Former President of Congress and 2005 National Party (PN) presidential nominee Porfirio Lobo easily defeated his closest rival, former Vice President Elvin Santos of the Liberal Party (PL), 56.6% to 38.1%. Three minor party candidates won a combined 5.3% of the presidential vote.¹⁸ Lobo's PN also won an absolute majority in the unicameral National Congress, with 71 of the 128 seats (see **Figure 2** for the change in the balance of power). The election was a major defeat for the PL, which has traditionally had the broadest base of support in Honduras. On top of its poor presidential showing, it won just 45 seats in Congress, down from 62 in 2005.¹⁹ According to some analysts, many Hondurans held the PL responsible for the country's political crisis as a result of Zelaya and Micheletti both belonging to the party. Likewise, traditional PL supporters were divided over the ouster, leading many from the Zelaya-allied faction to stay home on election day.²⁰

Figure 2. Party Affiliation in the Unicameral Honduran National Congress
(2005 and 2009 Election Results)



Source: CRS Graphics.

¹⁷ "Elecciones, incierto antídoto contra la crisis socio política," *El Tiempo* (Honduras), August 31, 2009.

¹⁸ "TSE confirma el triunfo de 'Pepe' en las elecciones," *El Heraldo* (Honduras), December 21, 2009.

¹⁹ "Final results in Honduras," *Latin News Daily*, December 22, 2009.

²⁰ Noé Leiva, "El Partido Liberal de Zelaya, el gran perdedor de los comicios hondureños," *Agence France Presse*, November 30, 2009; "Partido Liberal sacrificó el poder para salvar democracia," *La Tribuna* (Honduras), December 3, 2009.

Legitimacy

There has been considerable debate—both in Honduras and the international community—concerning the legitimacy of the November 2009 elections. Supporters of the elections note that the electoral process was initiated, and the members of the autonomous Supreme Electoral Tribunal (TSE) were chosen, prior to Zelaya’s ouster. They also note that the candidates were selected in internationally observed primary elections in November 2008,²¹ and that election day was largely²² free of political violence.²³ Nonetheless, some Hondurans and international observers have argued that the Micheletti government’s suppression of opposition media and demonstrators prevented a fair electoral campaign from taking place. This led to election boycotts and a number of left-leaning candidates for a variety of offices withdrawing from the elections, including an independent presidential candidate and some incumbent members of Congress.²⁴ It also led organizations that traditionally observe elections in the hemisphere, such as the OAS, the EU, and the Carter Center, to cancel their electoral observation missions.²⁵ Critics of the elections also assert that the electoral turnout, which was just under 50% (5 points lower than 2005), demonstrated a rejection of the elections by the Honduran people. Supporters of the elections counter this assertion by arguing that Lobo won more absolute votes in 2009 than Zelaya did in 2005, and that the electoral rolls are artificially inflated—distorting the turnout rate—as a result of Honduras not purging the rolls of those who have died or migrated overseas.²⁶ Although a growing number of Hondurans and members of the international community have recognized Lobo as the legitimate President of Honduras, some have refused to do so.²⁷

²¹ Former Vice President Elvin Santos, although originally ruled constitutionally ineligible to run by the TSE, became the PL presidential nominee following a series of events that included congressional passage of a special decree and a 52%-32% primary victory by his stand-in-candidate, Mauricio Villeda, over then President of Congress, Roberto Micheletti. “Honduras’ Vice President Regains the Right to Run; Elvin Santos is Partido Liberal Presidential Candidate,” *Latin America Data Base NotiCen*, March 5, 2009.

²² A demonstration in San Pedro Sula by those opposed to the government of Roberto Micheletti was forcefully dispersed on election day. “Police fire tear gas on Honduras poll protesters,” *Agence France Presse*, November 29, 2009.

²³ José Saúl Escobar Andrade, Enrique Ortez Sequeira, and David Andrés Matamoros Batso, “Honduran Elections,” Remarks at the Inter-American Dialogue, Washington, DC, October 22, 2009; International Republican Institute, “Hondurans Turn Out to Polls in Credible Elections: IRI’s Preliminary Statement on Honduras’ 2009 National Elections,” November 30, 2009.

²⁴ “Seguidores de Zelaya no participarán en elecciones aunque haya restitución,” *EFE News Service*, November 8, 2009; “Renuncian importantes dirigentes del liberalismo,” *El Tiempo* (Honduras), November 22, 2009; “Zelayistas dicen que hay incongruencias en la UD,” *El Tiempo* (Honduras), November 23, 2009.

²⁵ Gustavo Palencia, “Honduras busca convencer observadores para cuestionada elección,” *Reuters*, November 12, 2009; “La CE dice que no hay tiempo para una misión electoral y envía dos expertos,” *EFE News Service*, November 11, 2009.

²⁶ “Honduras: Tug of War Between Opposition and De Facto Regime Regarding Flow of Voters,” *Latin America Data Base NotiCen*, December 3, 2009; “Final results in Honduras,” *Latin News Daily*, December 22, 2009.

²⁷ Frente Nacional de Resistencia Contra el Golpe de Estado, “Comunicado No. 41,” November 30, 2009; “El Mercosur anuncia ‘pleno desconocimiento’ de nuevo gobierno de Honduras,” *EFE News Service*, December 8, 2009.

Challenges for the Lobo Administration

While the strength of Lobo's National Party in the legislature should help the government secure approval of its policy agenda, the political crisis left the new President with daunting challenges, including difficulty securing international recognition, a high level of domestic political polarization, and a poor human rights situation exacerbated by the murders of journalists and human rights defenders. The Lobo government also faces significant challenges in the areas of citizen security and economic development. Honduras has had a poor security situation for a number of years, with high rates of violent crime, and the past several governments have struggled to tackle this complex problem. In terms of economic development, the challenge for the government continues to be how to improve economic and social conditions in one of the hemisphere's poorest countries.

International Recognition

President Lobo has had difficulty gaining recognition for his government from the international community. Following the ouster of President Zelaya, many nations expressed concern about the state of democracy in Latin America and the possibility that the events of June 28, 2009 could serve as an example for other countries. Not a single nation recognized the Micheletti government, and since Zelaya was not returned to office prior to the November 2009 election, a number of countries refused to recognize the result.²⁸ After his election, President Lobo called on the international community to stop "punishing" the people of Honduras for Zelaya's ouster.²⁹

At this juncture, Honduras is participating in the United Nations and the international financial institutions, but remains suspended from participation in the OAS.³⁰ While the United States, Canada, many European nations and most of Central America—with the exception of Nicaragua—have recognized the Lobo government, many South American nations have not yet agreed to extend recognition. These include Argentina, Brazil, Ecuador, and Venezuela. The member states of the OAS did not officially consider readmitting Honduras at its General Assembly meeting held in June 2010 in Lima, Peru, but they did approve a resolution sending a high-level delegation to the country to analyze the political situation. Secretary of State Clinton called on Latin American nations to welcome Honduras back into the inter-American community, but countries such as Brazil want to see more progress in Honduras before extending recognition. Brazilian officials and OAS Secretary General José Miguel Insulza have suggested that allowing former President Zelaya to return to Honduras would pave the way for Honduras to be readmitted to the OAS.³¹

²⁸ "El Mercosur anuncia 'pleno desconocimiento' de nuevo gobierno de Honduras," *EFE News Service*, December 8, 2009.

²⁹ "Lobo pide a la comunidad internacional que no siga 'castigando' a su pueblo," *EFE News Service*, November 30, 2009.

³⁰ The OAS member states unanimously voted to suspend Honduras for an unconstitutional interruption of the democratic order in accordance with Article 21 of the Inter-American Democratic Charter on July 4, 2009. According to Article 22 of the Charter, lifting the suspension requires the votes of two thirds of the member states.

³¹ "OAS presents report on Honduras," *Latin News Daily*, July 30, 2010; "Chile and Mexico make-up with Honduras," *Latin News Daily*, August 2, 2010.

Political Reconciliation

President Lobo has taken a number of steps to ease the political polarization in Honduras, but still faces significant challenges. Upon taking office in late January 2010, Lobo arranged safe passage out of the country for former President Zelaya and immediately signed a bill providing political amnesty to Zelaya and those who removed him from office. The amnesty covers political and common crimes committed prior to and after the removal of President Zelaya, but does not include acts of corruption or violations of human rights.³² President Lobo also appointed a national unity cabinet with representatives of most political parties, including those on the left, and pledged to engage in dialogue with all sectors of Honduran society.

In April 2010, President Lobo established a Truth and Reconciliation Commission (CVR) to investigate the events before and after the ouster of President Zelaya and to make recommendations so that these events will not be repeated.³³ Led by former Guatemalan Vice President Eduardo Stein, the CVR has two additional international representatives, Canadian diplomat Michael Kergin and former Peruvian judicial official María Amadilia Zavala Valladares. The two Honduran representatives on the commission are Julieta Castellás, the rector of the National Autonomous University of Honduras (UNAH), and Jorge Omar Casco, the former rector of UNAH. The CVR officially began its work on May 4, 2010 with the goal of completing a report by January 2011.

Reflecting the ongoing political polarization in Honduras, the CVR has been criticized by both the left and the right. Human rights groups were not happy that President Lobo acted on his own in establishing the commission and did not consult with civil society groups. There is concern on the left that the CVR could merely serve as window dressing to allow the Lobo government to secure international recognition instead of a real attempt at national reconciliation. On the right, critics fear that the commission could be used as a means to promote the constitutional reform that former President Zelaya had wanted and that became a factor in the country's political crisis. In early June 2010, the President Lobo suggested that extremist elements on the right who disagreed with his reconciliation efforts were plotting to overthrow him.³⁴

The National Popular Resistance Front (FNRP, Frente Nacional de Resistencia Popular, formerly the National Resistance Front Against the Coup d'état), is an umbrella group of those who were opposed to Zelaya's removal that has consolidated itself as the principal opposition force in Honduras. Although nominally coordinated by Zelaya from exile, the FNRP is effectively led by an executive committee representative of the movement's composite parts, which include labor unions, worker and campesino organizations, human rights advocates, the Zelaya-allied faction of the Liberal Party, and other civil society groups. The FNRP views the CVR as an attempt to "whitewash" the ouster. As a result, Zelaya has called on officials from his government not to cooperate with the CVR and the FNRP has established an alternative truth commission composed of human rights advocates such as Nobel Peace Prize Laureates Rigoberta Menchu of Guatemala and Adolfo Pérez Esquivel of Argentina.³⁵ The FNRP also remains committed to reforming the

³² "Lobo secures exit from Honduras for Zelaya," *Latin News Daily*, January 21, 2010; "Congreso aprueba amnistía para delitos políticos comunes conexos," *El Tiempo* (Honduras), January 27, 2010.

³³ Honduras, Presidencia de la República, Decreto Ejecutivo Número PCM-011-2010.

³⁴ Germán Reyes, "Lobo pide no temer a Comisión de Verdad y avala consulta para constituyente," *Agencia EFE*, May 4, 2010; "Presidente hondureño insinúa que se está gestando otro golpe de Estado," *Agence France Presse*, June 8, 2010.

³⁵ "Zelaya Calls on Former Officials Not to Collaborate with Truth Commission," *ACAN-EFE*, June 8, 2010; (continued...)

Honduran constitution and pushing for greater rights for traditionally excluded sectors of the Honduran population. It claims to have gathered over 1.3 million signatures in support of a national constitutional assembly, which—if verified—would surpass the number of votes received by Lobo in November 2009.³⁶ Public opinion polling has shown considerably less support for the proposal.³⁷ In October 2010, Lobo called for a dialogue between his administration and the FNRP to discuss constitutional reform and other issues. Although some members of the Zelaya faction of the Liberal Party (known as “Liberals in Resistance”) participated in the dialogue, it was rejected by the FNRP, which continues to view Lobo’s presidency as illegitimate.³⁸

Human Rights

Another key challenge for the Lobo government is curtailing the increase in human rights violations that has occurred since the forced removal of President Zelaya. In March 2010, the U.S. State Department released its 2009 human rights report on Honduras. The report detailed numerous human rights problems stemming from the ouster, including “unlawful killings by members of the police and government agents,” “arbitrary and summary killings committed by vigilantes and former members of the security forces,” and “arbitrary detention and disproportionate use of force by security forces.”³⁹

Similar human rights abuses appear to have continued since President Lobo’s January 2010 inauguration. Following a May 2010 visit to Honduras, the Inter-American Commission on Human Rights (IACHR) expressed deep concern over murders of, and threats against, human rights defenders, journalists, teachers, trade union members, and FNRP activists, as well as the absence of effective investigations into these crimes. The IACHR also expressed concerns that the dismissal of judges opposed to Zelaya’s ouster was politicizing the justice system, and that Lobo’s appointment of several high-ranking military officers accused of participating in Zelaya’s removal to positions in the government was remilitarizing society.⁴⁰ Although the Lobo Administration has taken some steps to improve the human rights situation—such as providing the Human Rights Unit in the Attorney General’s Office an independent budget for the first time and creating a new Ministry of Justice and Human Rights—Honduran and international human rights organizations assert that the Honduran government has made little progress, especially with regard to bringing human rights violators to justice.⁴¹

(...continued)

“Honduran resistance sets up alternative commission,” *Latin News Weekly Report*, July 1, 2010.

³⁶ “Hondureños reclaman en las calles una Constituyente en del Día del Trabajador,” *Agence France Presse*, May 1, 2010; Frente Nacional De Resistencia Popular, “Comunicado No.74: Avanzamos seguros hacia la Constituyente,” September 17, 2010.

³⁷ “El 58% de hondureños estuvo en contra del derrocamiento de Zelaya (estudio),” *Agence France Presse*, November 22, 2010.

³⁸ “Lobo manouevres in Honduras,” *Latin News Daily*, October 5, 2010; “Frente de Resistencia de Zelaya rechaza diálogo con el gobierno hondureño,” *Agence France Presse*, October 19, 2010.

³⁹ See the full text of the report at <http://www.state.gov/g/drl/rls/hrrpt/2009/wha/136117.htm>.

⁴⁰ IACHR “IACHR Publishes Observations on Follow-up Visit to Honduras,” Press Release No. 59/10, June 7, 2010.

⁴¹ Thelma Mejía, “Latin America: Honduras has much to Explain in Human Rights Exam,” *Inter Press Service*, November 3, 2010.

Press Freedom and the Killing of Journalists

International human rights observers have been particularly concerned about declining press freedom in Honduras as media outlets and journalists have been the subjects of attacks. In the aftermath of Zelaya's forced removal in June 2009, human rights organizations strongly criticized the new Micheletti government for its attacks on press freedom, including government intimidation of journalists and media outlets and the temporary shutdown and interruptions of radio and television broadcasts. Press rights groups maintain that media workers were often targeted and foreign journalists were expelled. The IACHR issued a report in December 2009 asserting that there were serious violations of freedom of expression under Micheletti. The report maintained that the media became extremely polarized during the year, with those journalists and media supportive of the new Micheletti government subject to attacks by those who opposed Zelaya's ouster, and those perceived as encouraging support for resistance to the government subject to severe restrictions by state actions and attacks by private citizens.

Threats to press freedom have continued under the Lobo Administration. As noted above, the IACHR reported in May 2010 that it received information about threats and attacks directed against journalists to intimidate and impede their journalistic work.⁴² To date in 2010, at least eight journalists have been murdered in Honduras, making the country among the most dangerous in the world for the media this year according to the press rights group Reporters Without Borders. Five journalists were murdered in March alone, while three others were killed in April, June, and August 2010.⁴³ According to a July 2010 report by the independent, nonprofit Committee to Protect Journalists, there is no evidence to "confirm a political conspiracy or coordinated effort behind the killings." Nonetheless, the report asserts that "the murders occurred in a politically charged atmosphere of violence and lawlessness" and "the government's ongoing failure to successfully investigate crimes against journalists and other social critics—whether by intention, impotence, or incompetence—has created a climate of pervasive impunity."⁴⁴

In April 2010, the Inter American Press Association called for the Lobo government to consider a series of recommendations to combat the crime wave against journalists, including international technical assistance, the establishment of special prosecutors' offices, and the adoption of legal, judicial, and penal reforms.⁴⁵ The IACHR and the Office of the Special Rapporteur for Freedom of Expression have repeatedly called on the Honduran government to take all necessary measures to prevent these murders, protect at-risk journalists, and make progress in investigating the crimes.⁴⁶ Honduran officials have asserted that there is nothing to indicate that journalists are being attacked because of their work, and that the murdered journalists were most likely the victims of the widespread, random crime that has plagued Honduras in recent years.⁴⁷

⁴² IACHR, "Honduras: Human Rights and the Coup d'État," December 30, 2009, and "IACHR Concerned About Human Rights Violations in Honduras," Press Release, No. 54/10, May 19, 2010.

⁴³ Committee to Protect Journalists, "Critical Honduran reporter survives shooting attack," September 16, 2010.

⁴⁴ Committee to Protect Journalists, "Journalist murders spotlight Honduran government failures," July 27, 2010.

⁴⁵ Inter American Press Association, "IAPA makes recommendations to President Porfirio Lobo to Combat Violence Against Journalists," Press Release, April 27, 2010.

⁴⁶ Inter-American Commission on Human Rights, "Office of the Special Rapporteur Expresses Concern Over New Attacks Against Journalists and Media in Honduras," September 20, 2010.

⁴⁷ Committee to Protect Journalists, "Journalist murders spotlight Honduran government failures," July 27, 2010.

Economic and Social Conditions

The Honduran economy has experienced significant changes since the 1990s. Traditional agricultural exports of coffee and bananas are still important, but nontraditional sectors, such as shrimp farming and the maquiladora, or export-processing industry, have grown significantly. In 1998, Honduras was devastated by Hurricane Mitch, which killed more than 5,000 people and caused billions of dollars in damage. The gross domestic product declined by 1.4% in 1999, and the country felt the effects of the storm for several years, with roads and bridges washed out, the agricultural sector hard hit, and scores of orphaned children, many of whom joined criminal gangs. Spurred on by substantial U.S. foreign assistance, however, the economy rebounded with 6% growth in 2000. More recently, Honduras registered growth rates of 6.6% in 2006, 6.3% in 2007, and 4.2% in 2008.⁴⁸ Honduras is now classified by the World Bank as a lower middle income developing economy, with a per capita income of \$1,800 (2008).⁴⁹

The global financial crisis and the political crisis have taken a toll on the Honduran economy. In the first half of 2009, Honduras experienced significant declines in remittances (11%) and export earnings (13%).⁵⁰ The June 2009 forced removal of President Zelaya exacerbated these economic problems, as the international community, which had been expected to finance 20% of the country's budget, imposed economic sanctions on Honduras.⁵¹ International financial institutions withheld access to some \$485 million in loans and other transfers, the European Union and United States terminated \$126 million in aid, and Venezuela—which provided 50% of Honduras' petroleum imports in 2008—stopped supplying the country with subsidized oil.⁵² Domestic opponents of the ouster placed additional pressure on the economy, engaging in strikes, transportation blockades, and other measures designed to paralyze economic activity.⁵³ Some economists estimated that the political crisis cost Honduras 180,000 jobs and \$20 million daily in lost trade, aid, tourism, and investment.⁵⁴ In order to offset steep declines in government revenue, Micheletti and the Honduran Congress were forced to slash spending, reducing central government expenditures by 10% and decentralized state body expenditures by 20%.⁵⁵ Overall, the Honduran economy contracted by 2.1% in 2009.⁵⁶

⁴⁸ "Honduras: Country Report," *Economist Intelligence Unit*, May 2010.

⁴⁹ World Bank, World Development Report, 2010.

⁵⁰ "Honduras: Struggling," *Latin American Economy & Business*, October 2009; "Honduras economy: Political crisis takes its toll," *Economist Intelligence Unit*, October 27, 2009.

⁵¹ Keny López de Carballo, "Honduras no puede prescindir de créditos," *La Prensa Grafica* (El Salvador), July 9, 2009.

⁵² Robin Emmott, "Aid freeze in post-coup Honduras hurting poor," *Reuters*, November 12, 2009; "Honduras can't touch IMF resources—IMF" *Reuters*, September 9, 2009; "Unión Europea suspende ayuda financiera a Honduras," *Reuters*, July 20, 2009; "Senior State Department Officials Hold Background News Teleconference on Honduras," *CQ Newsmaker Transcripts*, September 3, 2009; "Venezuela halts oil deliveries to Honduras," *EFE News Service*, July 8, 2009; "Negociación solo es para que Zelaya enfrente la justicia," *El Heraldo* (Honduras), July 7, 2009.

⁵³ "Manifestantes aseguran que hoy paralizan el país," *El Tiempo* (Honduras), July 23, 2009.

⁵⁴ Blake Schmidt, "Midence Says Honduras Economy to Shrink After Crisis," *Bloomberg*, August 7, 2009; Laura Figueroa, "Honduras' business leaders hope elections restore investors' faith," *Miami Herald*, December 25, 2009.

⁵⁵ "Honduras: Country Report," *Economist Intelligence Unit*, August 2009.

⁵⁶ "Honduras: Country Report," *Economist Intelligence Unit*, November 2010.

Looking ahead, however, the Honduran economy is forecast to grow between 2.7% in 2010 and 3.3% in 2011.⁵⁷ The normalization of relations with the international financial institutions has provided the Lobo Administration with much needed multilateral development financing. In October and November 2010, the International Monetary Fund (IMF), the Inter-American Development Bank (IDB) and the World Bank approved a combined \$322.5 million in financial support for Honduras to restore macroeconomic stability, strengthen the Honduran financial system, and improve the country's long-term fiscal balance by supporting reforms consistent with the country's poverty reduction and growth objectives.⁵⁸ President Lobo has struggled to implement domestic economic reforms, however, as business groups have opposed tax reforms designed to increase government revenue and the FNRP has used strikes and demonstrations to press for wage increases and protest potential cuts to public sector spending.⁵⁹

Honduras continues to face significant development challenges and remains one of the most impoverished nations in Latin America. According to the most recent household census conducted by the Honduran National Statistics Institute, 60% of Honduras' nearly 8 million citizens live under the poverty line, defined as being unable to acquire the basic basket of household goods.⁶⁰ Moreover, Honduras has an infant mortality rate of 27 per 1,000; chronic malnutrition for one out of four children under five years of age; and a significant HIV/AIDS crisis, with an adult infection rate of 1.5% of the population. The Garifuna community (descendants of freed black slaves and indigenous Caribs from St. Vincent) concentrated in northern coastal areas has been especially hard hit by the HIV/AIDS epidemic. The World Bank maintains that development indicators have improved over the past decade because of increased public spending on health and education, but the country's further progress in meeting U.N. millennium development goals are uncertain. It notes that the country remains vulnerable to external shocks, including declines in prices for agricultural exports and natural disasters such as hurricanes and droughts.⁶¹

Honduras has benefited from several debt-reduction programs, but its foreign debt has begun to increase as a result of recent crises. A three-year poverty reduction and growth facility (PRGF) agreement with the IMF made Honduras eligible for about \$1 billion in debt relief under the IMF and World Bank's Highly Indebted Poor Countries (HIPC) Initiative in 2005. The agreement imposed fiscal and monetary targets on the government, and required Honduras to maintain firm macroeconomic discipline and develop a comprehensive poverty reduction strategy. The Inter-American Development Bank (IDB) implemented a debt forgiveness program for its poorest members in 2006. Honduras benefitted from a reduction of \$1.4 billion in foreign debt, freeing government resources to finance poverty alleviation.⁶² Largely as a result of these programs,

⁵⁷ "Honduras: Country Report," *Economist Intelligence Unit*, November 2010.

⁵⁸ "Tracking Trends: Honduras IMF Loan," *Latin News Weekly Report*, October 14, 2010; "BID y BM conceden préstamos por más de USD 120 millones a Honduras," *Agence France Presse*, November 10, 2010.

⁵⁹ "Honduras: Lobo isolation hampers reform," *Oxford Analytica*, June 11, 2010; "Honduras: Still waiting for lift, amid strains," *Latin American Regional Report: Caribbean & Central America*, August 2010.

⁶⁰ "Honduras: Poverty drives Lobo's calls for constitutional change," *Latin American Economy & Business*, October 2010.

⁶¹ U.N. Economic Commission for Latin America and the Caribbean, "Social Panorama of Latin America," 2009; World Bank, "Honduras Country Brief," April 22, 2010; World Food Programme, "Country Programme – Honduras," 2008. Also see CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by Clare Ribando Seelke and June S. Beittel.

⁶² "Honduras: Country Report," *Economist Intelligence Unit*, April 2007; Nestor Ikeda, "Inter-American Development Bank Forgives Debt of 5 Nations," *Associated Press*, March 17, 2007.

Honduras' net public debt declined from nearly 46% of gross domestic product (GDP) in 2005 to about 19.1% in 2007. Honduran debt has been climbing again in recent years, however, as increased domestic spending and decreased government revenue are expected to push net public debt to 26.7% of GDP in 2010.⁶³

Issues in U.S.-Honduran Relations

The United States has had close relations with Honduras over many years. The bilateral relationship became especially close in the 1980s when Honduras returned to democratic rule and became the lynchpin for U.S. policy in Central America. At that time, the country became a staging area for U.S.-supported excursions into Nicaragua by anti-Sandinista forces known as the Contras. Economic linkages intensified in the 1980s after Honduras became a beneficiary of the Caribbean Basin Initiative providing duty-free importation of Honduran goods into the United States, and more recently with the entrance into force of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2006.

Relations between the United States and Honduras were strained in 2009 because of the country's political crisis. Following Zelaya's ouster, the United States cut off almost all contact with the Honduran government. It suspended some foreign assistance, minimized cooperation with the Honduran military, and revoked the visas of members and supporters of the Micheletti government, which assumed power following Zelaya's removal.⁶⁴ Micheletti reacted angrily to U.S. policy toward his government, declaring, "it isn't possible for anyone, no matter how powerful they are, to come over here and tell us what we have to do."⁶⁵

Relations improved following the November 2009 Honduran elections when the United States recognized President Lobo and restored relations with the Honduran government.⁶⁶ According to the March 2010 congressional testimony of then Principal Deputy Assistant Secretary of State, Craig Kelly, President Lobo's actions to foster national reconciliation and solidify democratic processes led the United States to restore foreign assistance that had been terminated in September 2009. Kelly maintained that U.S. policy will now focus on helping Honduras deal with its numerous daunting challenges, including (1) improving the human-rights climate, especially regarding allegations of serious human rights abuses and reports that persons have been targeted for their political views; (2) combating high levels of corruption, crime, and drug-trafficking; (3) promoting and implementing social and economic reforms to reduce poverty and inequality levels that are among the highest in the hemisphere; and (4) helping Honduras contend with a severe economic crisis that could further destabilize the country.⁶⁷ Secretary of State Hillary Clinton has

⁶³ "Honduras: Country Report," *Economist Intelligence Unit*, November 2010.

⁶⁴ "Senior Administration Officials Hold State Department Background Briefing via Teleconference on Honduras," *CQ Newsmaker Transcripts*, June 28, 2009; U.S. Department of State, Office of the Spokesman, "Termination of Assistance and Other Measures Affecting the De Facto Regime in Honduras," September 3, 2009; U.S. Department of State, Office of the Spokesman, "Revocation of Diplomatic Visas," July 28, 2009.

⁶⁵ Carlos Salinas, "Honduran de facto leader vows to cling to power over US objections," *El País* (Spain), August 5, 2009.

⁶⁶ "Clinton says Lobo trying to reconcile Hondurans," *Reuters*, December 9, 2009.

⁶⁷ Testimony of Craig Kelly, Principal Deputy Assistant Secretary of State for Western Hemisphere Affairs, U.S. Department of State, before the House Subcommittee on the Western Hemisphere, March 18, 2010.

called on other nations in the hemisphere to welcome Honduras back into the Inter-American community.⁶⁸

Broad U.S. policy goals for Honduras include a strengthened democracy with an effective justice system that protects human rights and promotes the rule of law, and the promotion of sustainable economic growth with a more open economy and improved living conditions. In addition to providing Honduras with substantial amounts of foreign assistance and maintaining significant military and economic ties, the United States cooperates with Honduras to deal with transnational issues such as illegal migration, crime, narcotics trafficking, trafficking in persons, and port security.

U.S. Foreign Assistance

The United States has provided considerable foreign assistance to Honduras over the past three decades. In the 1980s, the United States provided about \$1.6 billion in economic and military aid as the country struggled amid the region's civil conflicts. In the 1990s, U.S. assistance to Honduras began to wane as regional conflicts subsided and competing foreign assistance needs grew in other parts of the world. Hurricane Mitch changed that trend as the United States provided almost \$300 million in assistance to help the country recover from the 1998 storm. As a result of the influx of aid, total U.S. assistance to Honduras for the 1990s amounted to around \$1 billion. With Hurricane Mitch funds expended by the end of 2001, U.S. foreign aid levels to Honduras again began to decline.

Recent foreign aid funding to Honduras amounted to nearly \$44 million in FY2007, \$40.5 million in FY2008, and about \$40.2 million in FY2009 (see **Table 1** below). For FY2010, an estimated \$51.3 million in regular foreign aid funding was appropriated. For FY2011, the Obama Administration requested nearly \$68 million in foreign aid for Honduras, including almost \$54 million in Development Assistance (DA), \$12 million in Global Health and Child Survival assistance (GHCS), and \$1.3 million in Foreign Military Financing (FMF). U.S. assistance in FY2011 will support a variety of projects designed to enhance security, strengthen democracy, improve education and health systems, conserve the environment, and build trade capacity. Most assistance to the country is managed by the U.S. Agency for International Development (USAID) and the State Department.

Honduras receives some foreign assistance beyond the bilateral funds appropriated annually through the foreign operations budget. The Peace Corps, which has been active in the country since 1963, provides nearly 180 volunteers to work on projects related to HIV/AIDS prevention and child survival, protected area management, water and sanitation, and business, municipal and youth development. The Millennium Challenge Corporation (MCC) provided Honduras with \$205 million⁶⁹ for a five-year economic growth compact that was completed in September 2010. The compact had two components: a rural development project to provide farmers with skills to grow and market new crops, and a transportation project to improve roads and highways to link farmers and other businesses to ports and major production centers in Honduras.⁷⁰ USAID's

⁶⁸ U.S. Department of State, Secretary of State Hillary Rodham Clinton, "Address to the Organization of American States General Assembly," June 7, 2010.

⁶⁹ The compact was originally for \$215 million, but the final \$10 million was terminated as a result of the 2009 political crisis.

⁷⁰ Millennium Challenge Corporation, "Honduras Overview," available at <http://www.mcc.gov/countries/honduras/> (continued...)

Office of Foreign Disaster Assistance (OFDA) provides assistance in response to natural disasters. USAID/OFDA provided Honduras with \$150,000 to respond to flooding and other damage during the 2010 hurricane season.⁷¹ Honduras also receives assistance under the Central America Regional Security Initiative (CARSI, formerly known as Mérida-Central America), a package of counternarcotics and anticrime assistance for the region.⁷² From FY2008-FY2010, Congress appropriated \$248 for Central America, a portion of which was intended for Honduras. For FY2011, the Obama Administration requested \$100 million for CARSI.

Table I. U.S. Bilateral Assistance to Honduras, FY2007-FY2011

(U.S. \$ in thousands)

Account	FY2007	FY2008	FY2009	FY2010(est.)	FY2011(req.)
Global Health and Child Survival (GHCS) (USAID)	12,034	12,035	11,750	11,000	11,000
Global Health and Child Survival (GHCS) (State)	750	1,000	1,000	1,000	1,000
Development Assistance (DA)	15,540	15,149	21,382	37,491	53,934
Economic Support Funds (ESF)	175	—	—	—	—
Foreign Military Financing (FMF)	675	496	—	1,075	1,300
International Military Education and Training (IMET)	1,404	936	329	700	700
International Narcotics & Law Enforcement (INCLE)	—	744	—	—	—
Nonproliferation, Antiterrorism & Demining (NADR)	268	—	—	—	—
Food Aid	13,005	10,150	5,771	—	—
Total	43,851	40,510	40,232	51,266	67,934

Sources: U.S. Department of State, Congressional Budget Justifications for Foreign Operations, FY2008-FY2011.

Notes: Global Health and Child Survival (USAID) was formerly called “Child Survival and Health,” but was re-labeled with the FY2010 budget request. Likewise, Global Health and Child Survival (State) was formerly called “Global HIV/AIDS Initiative,” but was re-labeled with the FY2010 budget request.

In September 2009, the United States terminated some \$21.7 million in foreign assistance appropriated for Honduras as a result of the country’s political crisis. Some \$10.3 million was intended for security assistance and \$11.4 million was intended for economic and social development programs administered directly by the government of Honduras. The United States would have been legally required to terminate these funds if it had declared Zelaya’s ouster a “military coup,” although it never did so. Following the inauguration of President Lobo, the United States moved to restore most of the assistance that had been terminated.

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⁷¹ USAID, *Latin America and the Caribbean—Hurricane Season and Floods*, Fact Sheet #6, FY2011, November 9, 2010.

⁷² For more information, see CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

Military Cooperation

The United States maintains a troop presence of about 600 military personnel known as Joint Task Force (JTF) Bravo at Soto Cano Air Base. JTF Bravo was first established in 1983 with about 1,200 troops, who were involved in military training exercises and in supporting U.S. counterinsurgency and intelligence operations in the region. In the aftermath of Hurricane Mitch in 1998, U.S. troops provided extensive assistance in the relief and reconstruction effort. Today, U.S. troops in Honduras support such activities as disaster relief, medical and humanitarian assistance, counternarcotics operations, and search and rescue operations that benefit Honduras and other Central American countries. Regional exercises and deployments involving active duty and reserve components provide training opportunities for thousands of U.S. troops. JTF Bravo has responded to a number of natural disasters in the region in recent years.

The June 28, 2009 ouster of President Manuel Zelaya has led some to reassess the state of U.S.-Honduran military cooperation. As a result of the Honduran military's role in Zelaya's removal, the United States temporarily suspended joint military activities as well as some military assistance to the country.⁷³ The events in Honduras also led some analysts to question the effectiveness of U.S. foreign military training programs.⁷⁴ They contend that such programs have not obtained their desired outcomes given that General Romeo Vasquez Velasquez—who had received U.S. training—led the effort to remove President Zelaya, and the Honduran military reportedly cut off contact with the United States prior to the ouster.⁷⁵

Economic Linkages

U.S. trade and investment linkages with Honduras have increased greatly since the early 1980s. In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), the unilateral U.S. preferential trade arrangement providing duty-free importation for many goods from the region. In the late 1980s, Honduras benefitted from production-sharing arrangements with U.S. apparel companies for duty-free entry into the United States of certain apparel products assembled in Honduras. As a result, maquiladoras or export-assembly companies flourished, most concentrated in the north coast region. The passage of the Caribbean Basin Trade Partnership Act in 2000 (CBTPA), which provided Caribbean Basin nations with NAFTA-like preferential tariff treatment, further boosted Honduran maquiladoras. Trade relations expanded again following the implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which entered into force with Honduras in April 2006.

The United States is by far Honduras' largest trading partner. In 2009, the United States was the destination of almost 48% of Honduran exports and the origin of almost 36% of its imports. Honduras is the top Latin American exporter of knit apparel to the United States. In 2009, U.S. exports to Honduras amounted to about \$3.4 billion, down 30% from 2008. Knit and woven apparel inputs accounted for a substantial portion, as did machinery and petroleum. U.S. imports

⁷³ "U.S. suspends joint military activities with Honduras," *EFE News Service*, July 1, 2009; U.S. Department of State, Office of the Spokesman, "U.S. Assistance to Honduras," July 7, 2009.

⁷⁴ "When your aid recipients stop taking your calls," *Center for International Policy*, June 28, 2008, available at <http://www.cipcol.org/>.

⁷⁵ "U.S. suspends joint military activities with Honduras," *EFE News Service*, July 1, 2009; "Senior Administration Officials Hold State Department Background Briefing via Teleconference on Honduras," *CQ Newsmaker Transcripts*, June 28, 2009.

from Honduras amounted to about \$3.3 billion in 2009, with knit and woven apparel (assembled products from the maquiladora sector) accounting for the greatest share. Other Honduran exports to the United States include coffee, seafood, bananas, electrical wiring, gold, and tobacco.⁷⁶

U.S. foreign direct investment in Honduras amounted to \$844 million in 2009, up from \$626 million in 2007.⁷⁷ More than 150 U.S. companies operate in Honduras, with the most significant U.S. investments in the maquila or export assembly sector, fruit production, tourism, energy generation, shrimp farming, animal feed production, telecommunications, fuel distribution, cigar manufacturing, insurance, brewing, food processing, and furniture manufacturing.⁷⁸ U.S. businesses operating in Honduras were negatively affected by the country's political crisis in 2009. The tourism and manufacturing sectors were especially hard hit as international travelers stayed away and government-imposed curfews prevented workers from getting to their places of employment.⁷⁹

Despite the increases in trade and investment that have occurred since the implementation of CAFTA-DR, some Honduran and U.S. officials have expressed concerns about the agreement. Honduran officials are concerned about the loss of agricultural jobs in the corn, rice, beef, poultry, and pork sectors since the country opened its market to U.S. agricultural products. Some fear that the loss of agricultural employment could lead to social unrest if not addressed properly through long-term investment. Although CAFTA-DR has provisions to enforce domestic labor codes and improve labor rights, a number of U.S. officials maintain that the provisions are inadequate given the history of non-compliance with labor laws in many Central American nations. The U.S. State Department's most recent Country Reports on Human Rights Practices for Honduras found credible evidence that employees engaged in union organizing were blacklisted within the maquiladoras and that union leaders were occasionally targeted with threats and violence.⁸⁰

Migration Issues

Temporary Protected Status

In the aftermath of Hurricane Mitch in 1998, the United States provided temporary protected status (TPS) to eligible Hondurans who may otherwise have been deported from the United States. Originally slated to expire in July 2000, TPS status has now been extended nine times. The most recent TPS extension came on May 5, 2010, when the Secretary of Homeland Security announced that the United States would continue to provide TPS for an additional 18 months, expiring on January 5, 2012 (prior to this extension, TPS would have expired July 5, 2010). According to a *Federal Register* notice on the most recent extension, the Secretary of Homeland Security maintained that the extension was warranted because there continues to be a substantial, but temporary, disruption of living conditions in Honduras resulting from Hurricane Mitch, and

⁷⁶ U.S. Department of Commerce statistics, as presented by *Global Trade Atlas*.

⁷⁷ U.S. Department of Commerce, "U.S. Direct Investment Abroad Tables," *Survey of Current Business*, September 2010.

⁷⁸ U.S. Department of State, "Background Note: Honduras," November 2009.

⁷⁹ Brian Wagner, "Honduran Businesses Suffer as Political Crisis Continues," *Voice of America*, October 16, 2009; Kevin Bogardus, "U.S. Business sees Honduran elections as solution to crisis," *The Hill*, October 28, 2009.

⁸⁰ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2009 Country Reports on Human Rights Practices," March 11, 2010.

the country remains unable, temporarily, to adequately handle the return of its nationals.⁸¹ Homeland Security estimates that TPS covers an estimated 66,000 Hondurans residing in the United States.⁸²

The “Save America Comprehensive Immigration Act of 2009” (H.R. 264, Jackson-Lee), which was introduced in the House in January 2009, would allow the Secretary of Homeland Security to adjust the residency status of immigrants who meet certain conditions from “temporary protected” to “lawfully admitted for permanent residence.”

Deportations⁸³

Deportations to Honduras have increased significantly over the past decade. Approximately 27,600 Hondurans were deported from the United States in FY2009, making Honduras one of the top recipients of deportees on a per capita basis.⁸⁴ Increasing deportations from the United States have been accompanied by similar increases in deportations from Mexico, a transit country for Central American migrants bound for the United States. Honduran policymakers are concerned about their country’s ability to absorb the large volume of deportees, as it is often difficult for those returning to the country to find gainful employment. Individuals who do not speak Spanish, who are tattooed, who have criminal records, and/or who lack familial support face additional difficulties re-integrating into Honduran society. In addition to these social problems, leaders are concerned that remittances may start to fall if the current high rates of deportations continue.⁸⁵ In March 2007, the Honduran Congress approved a motion calling for the United States to halt deportations of undocumented Honduran migrants who live and work in the United States.⁸⁶

Some analysts contend that increasing U.S. deportations of individuals with criminal records has exacerbated the gang problem in Honduras and other Central American countries. By the mid-1990s, the civil conflicts in Central America had ended and the United States began deporting unauthorized immigrants, many with criminal convictions, back to the region. Between 2000 and 2004, an estimated 20,000 criminals were sent back to Central America, many of whom had spent time in prisons in the United States for drug and/or gang-related offenses. Some observers contend that gang-deportees have “exported” a Los Angeles gang culture to Central America, and that they have recruited new members from among the local populations.⁸⁷ Although a recent United Nations study found little conclusive evidence to support their claims, the media and many Central American officials have attributed a large proportion of the rise in violent crime in the region to gangs, particularly gang-deportees from the United States.⁸⁸ In July 2007 testimony

⁸¹ For more details, see 75 *Federal Register* 24734-24737, May 5, 2010.

⁸² “18-Month Extension of Temporary Protected Status for Honduras, Questions and Answers,” *States News Service*, May 5, 2010. See CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem and Karma Ester.

⁸³ Clare Ribando Seelke contributed information to this section.

⁸⁴ Information provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

⁸⁵ Pamela Constable, “Deportees’ Bittersweet Homecoming; Migration is Boon, Bane for Honduras,” *Washington Post*, June 27, 2007.

⁸⁶ “CN Pide a EEUU que Cesen las Deportaciones de Compatriotas,” *La Tribuna* (Honduras), March 14, 2007.

⁸⁷ Ana Arana, “How the Street Gangs Took Central America,” *Foreign Affairs*, May/June 2005.

⁸⁸ United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

before the House Subcommittee on the Western Hemisphere, the Honduran Ambassador to the United States asserted that although the United States provides information to countries on the criminal background of deportees, the information does not include whether the repatriated nationals are gang members. About 25% of Hondurans deported from the United States in FY2009 were removed on criminal grounds.⁸⁹

Crime, Violence, and Drug Trafficking⁹⁰

Honduras, along with neighboring El Salvador and Guatemala, has become fertile ground for gangs and drug trafficking organizations. Fueled by poverty, unemployment, leftover weapons from the conflicts of the 1980s, and the U.S. deportation of criminals to the region, gangs such as Mara Salvatrucha (MS-13) and the 18th Street Gang (M-18) have firmly established themselves in the region. Although estimates of the number of gang members in Central America vary widely, the U.S. Southern Command maintains that there are some 70,000, concentrated largely in Honduras, El Salvador, and Guatemala.⁹¹ At the same time, Mexican Drug Trafficking Organizations (DTOs) have taken control of Central American trafficking corridors to transport cocaine and other narcotics from the Andean region of South America to the United States. The State Department, in its 2010 International Narcotics Strategy Control Report (INCSR), estimated that 200 metric tons of cocaine transited the country in 2009, largely through remote and poorly controlled areas of Honduras, such as the country's north coast.

This confluence of gangs and DTOs has led to increasing rates of crime and violence. According to Vanderbilt University's 2010 Americas Barometer, 14% of Honduran citizens reported that they had been the victim of a crime within the past year.⁹² A surge in violent crime has been particularly worrisome. In April 2010, a shootout between rival gangs on the outskirts of Tegucigalpa, the Honduran capital, left nine people dead. In September 2010, 18 men working in a shoe factory in San Pedro Sula were apparently massacred by members of a Mexican DTO.⁹³ Honduras' murder rate was already among the highest in the world in 2008 at 57.9 per 100,000 inhabitants.⁹⁴ Nevertheless, it increased to 66.8 in 2009 and is on pace to hit 78.8 per 100,000 in 2010.⁹⁵ Many have assumed that gangs are responsible for the increasing number of homicides; however, recent studies have shown that the highest murder rates are not in large cities—where gangs are primarily located—but in more remote areas along strategic drug trafficking corridors. Although there have been some indications that DTOs are using gangs as hired assassins in Honduras, connections between the DTOs and gangs remain largely anecdotal and unsubstantiated.⁹⁶

⁸⁹ Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

⁹⁰ For more information see CRS Report RL34112, *Gangs in Central America* and CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

⁹¹ House Armed Services Committee, Posture Statement of Gen. Bantz Craddock, Commander, U.S. Southern Command, March 9, 2005.

⁹² "65% satisfecho con democracia," *La Prensa* (Honduras), November 23, 2010.

⁹³ "Gang massacre appalls Honduras," *Latin News Daily*, September 8, 2010.

⁹⁴ "Honduras report signals rising violence," *Latin News Daily*, February 22, 2009.

⁹⁵ "Honduras has highest murder rate in Central America," *EFE News Service*, March 30, 2010; "Lobo warns military amid security crisis," *Latin News Daily*, November 2, 2010.

⁹⁶ Steven S. Dudley, "Drug Trafficking Organizations in Central America: Transportistas, Mexican Cartels and Maras," *Woodrow Wilson International Center for Scholars*, May 2010.

Recent Honduran presidents have implemented varying anti-crime strategies; however, none of them have achieved much success. During his term, President Maduro (2002-2006) increased the number of police officers and signed legislation that made *maras* (street gangs) illegal and gang membership punishable with 12 years in prison. Although the crackdown won popular support and initially reduced crime, its success was short-lived. Following his election, President Zelaya (2006-2009) replaced the previous administration's zero-tolerance policy with dialogue and other outreach techniques designed to convince gang members to give up violence and reintegrate into society.⁹⁷ Failure to achieve concrete results, however, led the Zelaya Administration to shift its emphasis toward more traditional anti-gang law enforcement operations. Zelaya increased the number of police and military troops in the streets and conducted raids against suspected criminals. Nonetheless, as reflected in the statistics cited above, crime and violence in Honduras continued unabated.⁹⁸

President Lobo has pledged to crack down on crime and violence, and although he has backed away from his 2005 proposal to reinstate the death penalty in Honduras, he still favors a hard-line approach.⁹⁹ Since taking office, Lobo has initiated a new security strategy that has deployed additional police into the poorest neighborhoods of Tegucigalpa and other large cities. In early June 2010, the Honduran National Congress approved a measure authorizing the use of military soldiers to support the police in crime fighting. Military patrols have been deployed in large cities to reinforce police as well as to the remote Atlantic coast region to combat drug trafficking.¹⁰⁰ In November 2010, the Honduran National Congress approved a new anti-terrorism law that reportedly includes measure to strengthen control over land, sea, and air borders, and will allow authorities to better control cash flows into the country.¹⁰¹

Although cooperation was temporarily disrupted by the 2009 political crisis, communication and coordination between U.S. law enforcement and intelligence entities and Honduras military and police elements have improved in recent years according to the 2010 INCSR. Through the Central America Regional Security Initiative (CARSI)¹⁰² and other efforts, the United States has supported a variety of anticorruption, anti-gang, police training, and maritime operations programs intended to improve Honduras' counternarcotics capabilities. The United States has also supported efforts to strengthen Honduran judicial institutions, provide positive opportunities for youth at risk of joining gangs, and develop a national crime prevention policy.¹⁰³ Moreover, the United States funded construction of a Honduran naval base in Barra de Caratasca in the isolated Mosquitia region of northeastern Honduras to assist in interdiction operations. Overall in 2009, Honduras seized 6.6 metric tons of cocaine, 2,795 stones of crack cocaine, 923 kilograms of marijuana, and nearly 2.8 million pseudoephedrine pills. Despite these efforts, U.S. officials maintain that Honduran citizen security and counternarcotics efforts continue to face a number of

⁹⁷ "Honduran Government Reaches Out to Rehabilitate Gangs," *ACAN-EFE*, January 30, 2006.

⁹⁸ Marion Barbel, "Homicide Rate Confirms Honduras as One of Region's Most Violent Nations," *Global Insight Daily Analysis*, September 11, 2008.

⁹⁹ "Honduras: Lobo seeks to unseat the PL," *Latin American Special Reports: Election Watch*, 2009.

¹⁰⁰ Gustavo Palencia "Nuevo Gobierno Honduras busca aplacar violencia ligada al narco," *Reuters*, January 28, 2010; Freddy Cuevas, "Honduras to send soldiers into streets to aid police in combatting wave of violent crime," *Associated Press*, April 13, 2010; "Militares a reforzar las operaciones policiales durante gobierno de Lobo," *La Tribuna* (Honduras), June 11, 2010.

¹⁰¹ "Honduras denounces internal armed groups," *Latin News Daily*, November 24, 2010.

¹⁰² CARSI is a package of counternarcotics and anticrime assistance for Central America, for which Congress has appropriated \$248 million from FY2008-2010.

¹⁰³ USAID, "Central American Regional Security Initiative (CARSI)," May 26, 2010.

challenges, including limited resources, a weak enforcement presence in the sparsely populated areas such as the Atlantic coast, corruption within the government and law enforcement, and weak criminal investigations and prosecutions.¹⁰⁴

Human Trafficking

According to the State Department's 2010 Trafficking in Persons (TIP) Report, Honduras is primarily a source and transit country for women and children trafficked for the purpose of commercial sexual exploitation. Many victims are trafficked from rural areas to tourist and urban locales such as Tegucigalpa, San Pedro Sula, and the Bay Islands. Destination countries for trafficked Honduran women and children include the United States, Mexico, Guatemala, El Salvador, and Belize. There are also foreign victims of commercial sexual exploitation in Honduras, most having been trafficked from neighboring countries, including economic migrants en route to the United States.

The State Department maintains that Honduras does not fully comply with the minimum standards for the elimination of trafficking, however, it notes that the government is making significant efforts to do so. As a result, Honduras is considered a so-called "Tier 2" country. The 2101 report recognized the Honduran government's law enforcement actions against sex trafficking offenders and its partnership with international organizations to provide training to government officials and members of civil society. However, the report also maintained that government services for trafficking victims remained virtually non-existent, that laws failed to prohibit trafficking for forced labor, and that the number of trafficking-related convictions had decreased. In the report, the State Department recommended that Honduras amend its anti-trafficking laws to prohibit forced labor; increase efforts to investigate and prosecute all trafficking offenses; convict and sentence traffickers; improve victims' access to shelter, aid, and essential services; develop formal procedures for identifying victims; and initiate efforts to raise awareness of human trafficking.¹⁰⁵

Port Security

Honduras and the United States have cooperated extensively on port security. For the United States, port security emerged as an important element of homeland security in the aftermath of the September 11, 2001, terrorist attacks. Honduras views such cooperation as important in order to ensure the speedy export of its products to the United States, which in turn could increase U.S. investment in the country. In March 2006, U.S. officials announced the inclusion of the largest port in Honduras, Puerto Cortés, in the U.S. Container Security Initiative (CSI). CSI is operated by the U.S. Customs and Border Protection (CBP) of the Department of Homeland Security, and uses a security regime to ensure that all containers that pose a potential risk for terrorism are identified and inspected at foreign ports before they are placed on vessels destined for the United States. Honduras also participates in the Department of Energy's Megaports Initiative, which supplies ports with equipment capable of detecting nuclear or radioactive materials, and the Secure Freight Initiative (SFI), which deploys equipment capable of scanning containers for

¹⁰⁴ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report," March 2010.

¹⁰⁵ U.S. Department of State, Office to Monitor and Combat Trafficking in Persons, "Trafficking in Persons Report," June 2010.

radiation and information risk factors before they are allowed to depart for the United States. Puerto Cortés was one of six ports around the world chosen to be part of the first phase of the SFI.¹⁰⁶

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¹⁰⁶ U.S. Department of Homeland Security, “DHS and DOE Launch Secure Freight Initiative,” Press Release, December 7, 2006, and “Secure Freight Initiative Becomes Fully Operational in United Kingdom, Pakistan, and Honduras,” Press Release, October 12, 2007.